

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: Celeste McDermott, Esq., Director - DCCC
Cable Commission

FROM: Irvin Corley, Jr., Fiscal Analysis Director

ly.

DATE: May 1, 2009

RE: 2009-2010 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Wednesday, May 6, 2008 at 10:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Joseph Harris, Chief Financial Officer
Pam Scales, Budget Department Director
Renee Short, Budget Department
Arese Robinson, Mayor's Office

I:\09-10 BUDGET\DAILIES-FINAL\JGP\Cable.doc

Cable Commission

FY 2009-2010 Budget Analysis by the Fiscal Analysis Division

Summary

The mission of the Detroit Cable Communications Commission (DCCC) is to ensure the delivery of efficient and cost effective cable television and telecommunications systems to the residential and business communities of the City of Detroit.

The DCCC has two functions: administration and regulation; operation of the government and educational access channels.

There are two appropriations for the DCCC in the Non-Departmental Budget for expenditures and a third appropriation for revenue collection where the franchise fee is recorded.

The total recommended budget for the DCCC is \$2.3 million dollars in appropriations an increase of \$332,080 or 16.6%, the DCCC recommended revenues are increasing by \$240,000 over the current budget to a recommended total of \$4.2 million, a 6% increase.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2008-09</u>	<u>Filled Positions 3/31/2009</u>	<u>Mayor's Budget Positions FY 2009-10</u>	<u>Over/(Under) Actual to 08/09 Budget</u>	<u>Mayor's Recommended Turnover</u>
Non-Departmental (35):					
00972 Cable Communications Comm.	8	5	5	(3)	\$ -
00973 Government Access	2	2	2	0	\$ -
TOTAL	<u>10</u>	<u>7</u>	<u>7</u>	<u>(3)</u>	<u>\$ -</u>

As of March 31, 2008, the Cable Commission has five contractual positions filled in the Government Access appropriation.

Professional and Contractual Services:

Cable Commission (35)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2008-09 Budget</u>	<u>FY 2009-10 Recommended</u>	<u>Increase (Decrease)</u>
Cable Commission	<u>531,592</u>	<u>733,788</u>	<u>202,196</u>
Total	<u>\$ 840,514</u>	<u>\$ 1,041,834</u>	<u>\$ 201,320</u>

Significant Appropriation Changes

In the Cable Commission appropriation there are increases in Auditing of \$14,700, Rental of Buildings of \$50,000, and Contractual Services of \$120,000.

In the Government Access appropriation Personal Services Contractual is increasing by \$67,496 and Acquisition – Equipment is increasing by \$510,400.

Significant Revenue Changes

The Mayor recommends revenue of \$4.2 million in the Cable Franchise Fee. This represents an increase of \$240,000 over the current year's budget.

Issues and Questions

1. The revenue for Franchise Fees is increasing by \$240,000 in the recommended budget. However the 2007-08 actual collection is reported as \$3.2 million, and the last three entries for franchise fees from the major cable operator are decreasing about by \$40,000 to \$45,000 per quarter, Apr – June 08 \$1.052 million, Jul – Sep 08 \$1.006 million, and Oct – Dec 08 \$0.963 million. What changes to collections are anticipated to support increasing revenue collections in light of the economy and recent revenue collection patterns?
2. What equipment purchases are included in the recommended budget? Can these purchases be deferred if revenue collections do not increase?
3. Explain the increased in auditing, rental of buildings, and contractual services included in the Mayor's 2009-10 Recommended Budget.
4. Considering the reduced role of the Cable Commission to negotiate local franchise agreements, at what point in the future can expenditures for the Cable Commission be significantly reduced or possibly completely eliminated as a result of the current legislation?
5. Will you provide current market statistics for penetration in Detroit for cable and internet services by provider? Can you compare the Detroit market penetration numbers with other surrounding communities and the national average? Include historical data in order for the recent trend patterns to evident.

IC:jgp:ss